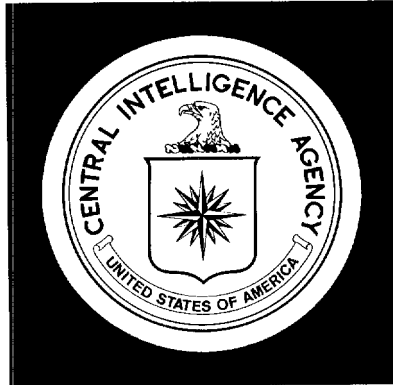


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Weekly Summary

State Dept. review completed.

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March 25, 1977

The WEEKLY SUMMARY, issued every Friday morning by the Current Reporting Group, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of Regional and Political Analysis, the Office of Economic Research, the Office of Strategic Research, the Office of Scientific Intelligence, the Office of Weapons Intelligence, and the Office of Geographic and Cartographic Research.

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South Asia

INDIA 1-2

Indira Gandhi's 11-year reign as India's prime minister—and the Congress Party's uninterrupted rule since independence in 1947—came to an end this week with the announcement of results from last week's parliamentary election. The Congress Party was overwhelmingly defeated by the Janata or People's Party and its allies, and Janata leader Morarji Desai has been installed as India's new prime minister.

Returns from all but 3 of the 542 parliamentary constituencies gave the Janata Party 269 seats. The Congress Party won 154. Former agriculture minister Jagjivan Ram's Congress for Democracy, which was allied with the Janata group, won 28 seats.

With the support of some independents and other allies, the new government may be able to marshal the two-thirds majority needed in parliament to overturn major constitutional changes enacted by the Congress Party during the past two years. On the other hand, ideological divergencies and competing ambitions among the four parties that formed the Janata Party



Morarji Desai

two months ago could make it difficult for the new leadership group to reach agreement on policies and appointments.

As her defeat became apparent, Gandhi rescinded the state of emergency imposed in June 1975 and began releasing the remaining political prisoners. Leaders of the victorious parties reportedly have hinted that retributive action may be taken against those who played leading roles during the emergency, particularly Gandhi's son Sanjay. The Congress Party, meanwhile, has named Y. B. Chavan, who had held key cabinet posts in recent years, as its new leader in the parliament.

Desai, who is 81 years old but apparently in good health, was a leader of a conservative faction in the Congress Party until he broke with Gandhi in 1969. He was jailed for 18 months during the emergency. He has been critical of India's 1971 friendship treaty with the USSR and favors a more balanced foreign policy. Desai is a capable administrator but has been accused of being inflexible and puritanical.

Two other key figures in the election campaign were Ram, a leader of India's large "untouchable" community who resigned from Gandhi's government and party last month, and Jayaprakash Narayan, a widely respected elder statesman. Ram had hoped to become prime minister, losing out only after Narayan met individually with the winning parties' members of parliament and ascertained that they preferred Desai. Ram's subsequent announcement that his party will not participate in the new government could foreshadow more serious disagreements.

The victorious parties directed their electoral campaign at Gandhi's authoritarian rule, the ambitions of her son, and the excesses of the government's population control and slum clearance campaigns. The sterilization program may have been the most important cause of the Congress Party's defeat, and the new government is likely to be cautious about trying to control the growth of India's huge population.

PAKISTAN 3-5

Violent demonstrations against the government of Prime Minister Bhutto continued this week as leaders of the opposition Pakistan National Alliance reiterated charges that the ruling party's landslide victory in the March 7 parliamentary election was due to widespread fraud.

Bhutto's opponents are still hoping the demonstrations will lead military leaders to conclude that order can be restored only by removing Bhutto from office and calling a new election. Thus far the disruptions have provoked the Prime Minister to arrest most of the prominent alliance leaders and to place Karachi, the country's largest city and an opposition stronghold, under an army-enforced curfew.

The curfew was imposed after rioting broke out during demonstrations in the city last weekend. Dozens have died in the Karachi disturbances, and the city was paralyzed by a one-day general strike called by the opposition on March 21. A nationwide strike has been called for March 26 to protest the rigging of the election and the convening of the parliament.



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Serious clashes have also occurred in Hyderabad, a staunchly pro-opposition city. Demonstrators also have been arrested in the North-West Frontier Province, another opposition stronghold.

To bring down Bhutto, the opposition presumably would have to wage a stronger campaign than it has so far in Punjab Province, which has more than half of Pakistan's population. Mobs in Lahore, the provincial capital, reportedly are using fire bombs against police, but the situation has not yet become serious enough for Bhutto to impose a curfew or use army troops directly against the demonstrators.

Despite his strong actions against the National Alliance, Bhutto may still be attempting to work out a compromise. The US embassy believes, however, that his offer to free some of the arrested leaders is viewed by the opposition as a sign of weakness. Former air force commander Asghar Khan, the most prominent of those arrested last week, has refused to leave jail unless all political prisoners are freed, and opposition leaders have rejected Bhutto's latest offer to talk.

East Asia-
Pacific

CHINA

Top national and provincial leaders apparently have been meeting in Peking since early this month. They may be discussing matters relating to the rehabilitation of former vice premier Teng Hsiao-ping and other important personnel questions that have been troubling the regime for months.

Teng was a vice chairman of the Chinese Communist Party and chief of staff of the army as well as a vice premier. Teng's rehabilitation is a vindication of old-line party officials, including Defense Minister Yeh Chien-ying, the regime's number-two man, who supported his pragmatic economic and administrative policies.

Teng seems likely to reappear publicly soon, perhaps before April 5, the first anniversary of the leftist-instigated riots in Peking that led to his purge. The positions that he is to hold, on the other hand, may not be announced right away.

Supporters of Teng have been arguing that he should be promoted and replace party chairman Hua Kuo-feng as premier. Hua, however, has not been in a hurry to fall in with this proposal. He was the chief beneficiary of Teng's purge and is almost certainly wary of Teng's important ties in both the party and the army—ties that Hua has yet to establish firmly, for himself.

Since the meetings began in the capital, other difficult decisions have been made concerning personalities who were demonstrably too close to the four leftist Politburo members purged last fall. Peking's instructions apparently indicated that Chen Hsi-lien, another Politburo member, has been relieved of command of the key Peking Military Region. In the past, Chen had connections with the "gang of four" and was often rumored to be a leading opponent of Teng's rehabilitation.

Two weeks ago, several officials were apparently purged in Liaoning Province in northeastern China. The group was charged with supporting the "gang of four" and with obstructing the nationwide campaign to root out their followers. The Liaoning officials had ties with Chen Hsi-lien and also with the discredited nephew of Mao Tse-tung.

The new leaders in Peking evidently felt confident that other troubled provinces are sufficiently under control to permit them to move against the important leftists in Liaoning.



Hua Kuo-feng



Teng Hsiao-ping

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NORTH KOREA-CHINA

China and North Korea signed a trade agreement this month that covers trade in "major commodities" from 1977 to 1981.

No details are available yet on the pact, which updates a similar agreement for the period 1971 to 1976. North Korea imports coking coal and petroleum products from China and exports iron ore, anthracite coal, and machinery to China.

North Korea's continuing foreign debt problem has increased its dependence on China and the USSR. Both the Chinese and the Soviets appear anxious to avoid any increased tensions on the Korean peninsula and use trade and economic and military assistance to maintain their influence in Pyongyang. In recent years, China has been more responsive to North Korean needs than have the Soviets.

Moscow signed its most recent five-year trade agreement with North Korea about a year ago. It called for a 40-percent increase over the previous period, but official Soviet trade statistics indicate that as of last September North Korean exports were well below expected levels. Pyongyang may have been diverting some of the exports to hard-currency importers to alleviate its debt problem.

In January, a high-level North Korean delegation went to Moscow to resolve outstanding economic problems, and a new trade protocol for 1977 was signed shortly after the visit. The protocol may have projected lower trade levels based on a more realistic appraisal of the North Koreans' capability to meet export commitments.

Middle East
Africa

PALESTINIANS 46-48

The Palestine National Council—the policy-making parliamentary body of the Palestine Liberation Organization—concluded a 10-day meeting in Cairo



President Sadat (r) and Yasir Arafat at the meeting of the Palestine National Council last week

on March 20; the council last met in 1974. The recent session produced no dramatic changes in Palestinian policy, but PLO chief Yasir Arafat apparently strengthened his political position.

Some 290 representatives of various Palestinian groups attended as delegates, an increase of about 90 over the council's membership in 1974. The enlargement in part reflects an effort by Syria, Egypt, and other moderate Arab states to get the council to follow a line that would help facilitate the negotiations with Israel desired by the moderate Arabs. Arafat apparently resisted attempts to dilute his influence in the council by an even larger expansion.

Arafat remained largely in control throughout the session and was easily re-elected as head of the PLO Executive Committee. The committee reportedly was given a relatively free hand to pursue a flexible strategy toward future peace negotiations.

The delegates did not modify the hard-line Palestine National Covenant—which, among other things, calls for dismantling the state of Israel—and they again rejected conciliation with or recognition of Israel. A political declaration issued by the council

does not, however, directly call for the destruction of the Jewish state nor refer to the secular democratic state concept that is anathema to the Israelis. Instead, the document mentions an "independent national state" on Palestinian soil—phrasing sufficiently vague to be open to several interpretations.

Such wording appears designed to avoid even more serious splits between Palestinian moderates and hard liners and to allow Palestinian leaders maximum flexibility during the negotiating period ahead. The declaration probably was not as conciliatory as Egypt, and perhaps Syria, would have liked. In a meeting with Arafat after the council meeting, Egyptian President Sadat criticized the council for "showmanship" and "sloganeering."

This suggests that the influence of these two states over Arafat is not as great as they believed and that Arafat still must make concessions to the more militant Palestinians in order to preserve a semblance of unity in the movement. The declaration, for example, makes no specific reference to the establishment of links between the PLO and Jordan, an idea that Sadat has strongly advocated in recent weeks.

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ZAIRE

22-26

The former Katangan soldiers who invaded southern Zaire from their exile bases in neighboring Angola two weeks ago remain in control of parts of their tribal homeland in Shaba Region. Government forces have little chance of dislodging the Katangans in the near future, and President Mobutu's regime, if it survives, faces the prospect of a long and costly counterinsurgency effort.

There was apparently little fighting during the past week between government troops and the intruders, who the Zairian military estimates number between 1,500 and 2,000 men. Heavy rain at times helped slow things down, although the Katangans do not appear to be in any hurry to extend their area of control, and the Zairian armed forces are still hobbled by fuel shortages, logistic and communications problems, poor intelligence, and low morale among the troops.

The main concentrations of invaders appear to be at Dilolo, Kasaji, Kisenge, and Sandoa. The Katangans are employing guerrilla tactics; they move mostly at night and set up ambushes. They are veterans of such warfare and sharpened

their skills during the Angolan civil war by helping Agostinho Neto's ultimately victorious Popular Movement. The Katangans also arrived in Shaba well armed and well equipped, and they appear to be taking care to preserve their supply lines back to Angola.

The ultimate aim of the Katangans is still unclear. "Liberation" of their home region from Mobutu's control is surely a primary goal shared by soldiers and leaders alike. Beyond that, some of the returned exiles may favor another regional secession attempt while others are out to overthrow Mobutu and gain control of all of Zaire. A Paris-based political organization that claims to speak for the invaders—the Congolese National Liberation Front—has said the goal is to topple Mobutu.

Mobutu, for his part, is continuing to send additional troops to Shaba, and his commanders presumably plan eventually to undertake more extensive offensive operations against the Katangans. The main buildup points are Kamina, where there is a major military base, and Kolwezi, a vital industrial center. So far, a total of about 3,000 Zairian troops have been sent to Shaba since the invasion



President Mobutu

began on March 8.

The hard-pressed Zairian President, who has been seeking diplomatic support from other African leaders, seems to have won a sympathetic hearing from the Nigerian government, which has been a strong supporter of Neto's regime. The Nigerians, who have vivid memories of their own war against Biafran secessionists, agreed last week to try to mediate the dispute between Zaire and Angola that underlies the Katangans' attack. This week, the Lagos government issued a public statement calling on both sides to use restraint.

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Power Rivalry Quickens in the Red Sea Area

Competition between Marxist countries and moderate Arab states for influence in the Red Sea region has intensified in recent weeks. Both sides appear to be paying particular attention to the leftist regime in Somalia, which has long been pro-Soviet.

Cuban President Fidel Castro has been touring Africa since March 1. One of his main objectives on the trip has been to promote closer ties between leftist countries near the Red Sea, particularly Somalia and Ethiopia. President Numayri of Sudan, with Saudi Arabian and other Arab backing, has been working at the same time to entice both Somalia and South Yemen away from the Soviet orbit and into the moderate Arab camp. There are signs that this Arab effort may be having some success.

Castro's Trip

Castro's journey took him to Algeria briefly, to Libya for 10 days, and then to

South Yemen, Somalia, and Ethiopia. He went on to visit several of the southern African states on the "front line" of the Rhodesian conflict.

In addition to strengthening bilateral links between Havana and Tripoli, Castro and Libyan leader Qadhafi probably discussed aiding Ethiopia. During his visit to Ethiopia Castro apparently offered to mediate between the Ethiopians and Somalis, who have long been at odds. He reportedly proposed an alliance among Ethiopia, Somalia, South Yemen, and an independent French Territory of the Afars and Issas.

Ethiopian leader Mengistu endorsed this proposal in an interview with the Cuban press; he said he envisaged the alliance as an "anti-imperialist front" to counter Arab assistance to the Eritrean secessionist movement on Ethiopia's Red Sea coast. The Somalis, however, have shown little interest in improving relations with Ethiopia, where they

have territorial claims and are supporting anti-government insurgents.

Castro was in Somalia and South Yemen just before his visit to Ethiopia. He may have tried to dissuade the South Yemenis and Somalis from turning to Saudi Arabia and other wealthy oil states for badly needed economic assistance. The Saudis are already giving economic aid to South Yemen and are considering giving Somalia up to \$300 million in an effort to reduce its dependence on the Soviets.

Cuba, for its part, has maintained a limited presence in Somalia for a number of years. Between 200 and 300 Cuban advisers provide paramilitary training for the Somali militia and also have trained Somali and other guerrillas for operations in Ethiopia and possibly the FTAI. A handful of Cuban technicians staff Somali agricultural and technical assistance programs. The Cubans aid South Yemen on a comparable scale.



Castro and Qadhafi during Castro's visit to Libya

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Sudan's Numayri visited Somalia and South Yemen last week in preparation for a summit meeting in North Yemen this week that included the leaders of all four countries. The purpose of the summit was to discuss the security of the Red Sea region. Numayri is seeking to persuade the South Yemenis, and particularly the Somalis, to limit Soviet and leftist influence in the region.

The summit invitation presented the Somalis with a clear-cut choice. By not attending, President Siad would have risked further isolating Somalia from its Arab neighbors. Turning his back on the efforts of Sudan and other moderate, pro-Western Arab states to turn the Red Sea into an "Arab lake" also would jeopardize his hopes for Arab economic assistance. Attending the summit, on the other hand, carried a risk of offending Somalia's Soviet benefactors.

Siad made a last-minute decision to participate in the summit after reportedly receiving another plea from Numayri. The Somali President's attendance was a signal to the Soviets that he disapproves of their growing ties with Ethiopia and that Somalia has other friends. It may also reflect his unhappiness with Castro's mediation effort.

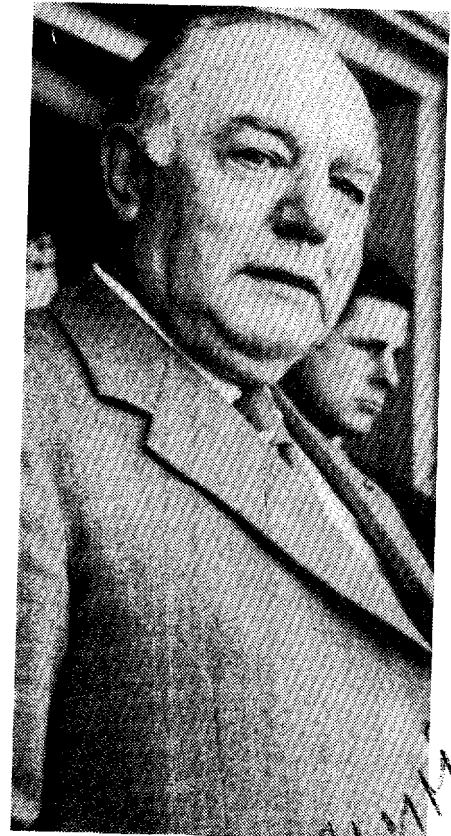
CONGO

The 11-man military committee that assumed power after the assassination of President Ngouabi late last week has moved quickly to assert its control. The country is tribally and ideologically divided, however, and may be headed for another period of protracted turmoil.

Ngouabi, a northerner, had been in power since 1968, when he led a military coup that ousted President Massamba-Debat, a southerner. In recent months, Ngouabi's standing had eroded because of his failure to come to grips with the country's steadily deteriorating economic situation; he had even come under open criticism from some members of the government.

The new junta reportedly includes Ngouabi's top military associates. Most of them are believed to be northerners like Ngouabi, and they are unlikely to deviate from the leftist course charted by the assassinated leader. Specific members of the military committee have not been publicly identified.

The junta is apparently determined to deal harshly with suspected plotters even though such action risks exacerbating the country's deeply rooted tribal and regional tensions. The archbishop of Brazzaville, a southerner who was arrested last week as was Massamba-Debat, reportedly died while being interrogated by the committee; officially inspired press reports have stated that he was killed by relatives of Ngouabi. Radio Brazzaville has announced that Massamba-Debat has confessed to organizing the assassination plot, and he too may have been killed.



Prime Minister Vorster

living for everyone, they will affect urban blacks more than others and thus may increase racial strains.

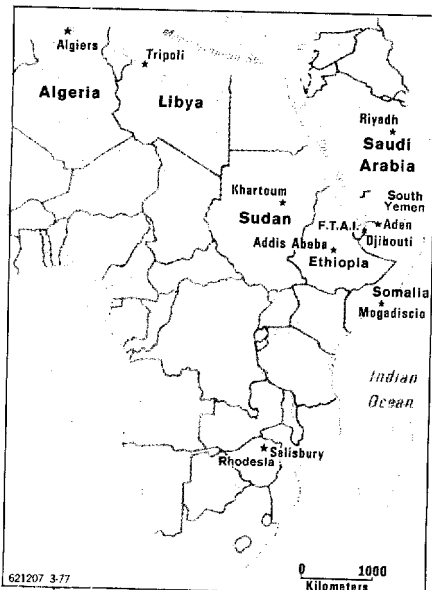
The minister of finance announced that the sales tax, which covers nearly all manufactured goods, will range from 8 to 33 percent.

Freight rates will increase by about 22 percent, and passenger fares by an average of 16 percent. Since railroads are the major freight carriers in South Africa, the rate hike will spur a price increase for almost all goods, including food. Blacks in urban townships in particular will suffer because a large number of them commute to work by rail.

Several white business leaders and prominent blacks have come out against the measures. Economic criticism has focused on the adverse effects they will have on the recovery from the current recession.

SOUTH AFRICA

Prime Minister Vorster's government recently increased sales taxes and raised rate schedules on the government-owned railroads in anticipation of revenue shortages for the next budget. Although the new measures will raise the cost of



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USSR- Eastern Europe

USSR 59-62

An official of the USSR State Planning Committee (Gosplan) recently confirmed that the Soviet government does not plan to publish a detailed book on its tenth five-year plan, which began last year and runs through 1980. Gosplan published the detailed version of the ninth five-year plan in 1972.

The official asserted that Gosplan specialists are all occupied with drafting the 15-year plan for 1976 to 1990. Another reason for the Soviets' unwillingness to publish the current plan may be the economic difficulties the country has been having.

The official stated that economic data relating to the five-year plan could be obtained from articles published in the Soviet press. He added that perhaps too much economic information is now published in Soviet journals, suggesting that in the future less may be revealed in these sources as well.

The official also said the 15-year plan was being redrafted to take account of Soviet "successes and failures" in 1976

and is scheduled to be finished in May for internal Soviet discussion. He did not say whether the final version would be made public.

Another official in the same Gosplan department commented that present difficulties between the US and the USSR are causing many complications for him in dealing with US trade in the 15-year plan.

The USSR had hoped to draw heavily on US equipment, technology, and credits in developing natural resources. General agreements had been signed with US firms for multibillion-dollar natural gas projects in eastern and western Siberia. The restrictions on US Eximbank lending and the subsequent Soviet decision not to implement the US-USSR trade agreement, however, have significantly reduced the chances of obtaining US participation in such projects.

POLAND 63-64

Poland is reportedly considering membership in the World Bank and the International Monetary Fund. Most communist countries have not joined these "capitalist" institutions largely because of the financial disclosures and other IMF

requirements.

Poland produces for export the kind of electric power generating equipment, sugar beet refining plants, and textile machinery that are in demand in the developing countries. The Poles are now excluded from participating in projects sponsored by the UN's development organization and funded by the World Bank because, under the bank's rules, bidders must be from member countries. To gain membership in the World Bank a country first has to join the International Monetary Fund.

Membership in the IMF is probably also attractive to the Poles because of the balance-of-payments assistance the IMF offers to members. With this assistance, Poland would gain additional flexibility in dealing with its burgeoning hard-currency problems. Last year, Poland had a record \$3.3-billion trade deficit with the developed West, and its total hard-currency indebtedness reached \$10.2 billion. By the end of 1976, Poland's debt-service ratio was almost 50 percent.

Yugoslavia, Romania, Cuba, and Vietnam are the only communist members of the two international financial institutions. Cuba's membership predates its communist government; Vietnam took over the seat formerly held by South Vietnam.

International

UNITED NATIONS 67

A meeting that had been scheduled by the UN Conference on Trade and Development to focus on problems of the world's 29 least developed countries got caught up in the Arab-Israeli dispute last week with the result that the secretary general of UNCTAD canceled the meeting. The episode illustrates the dif-

ficulties the developing countries as a group face in trying to integrate their varied economic and political objectives.

The 29 countries whose problems were to have been considered were, of course, disappointed at the cancellation, but so far they have not voiced any criticism publicly. They are likely to place much of the blame on Arab nations, because Arab insistence that Israel be excluded from the meeting was the immediate cause of the cancellation.

It was the UNCTAD secretariat's desire to have East European countries attend the meeting that started the imbroglio, however. The secretariat has

pressed the East Europeans to do more to help the developing countries and as an inducement reduced the level of aid donations required to qualify for attendance at the meeting.

Israel, which has donated more aid to poor nations than several of the communist nations, qualified and accepted an invitation to attend. The Arabs threatened to challenge Israel's attendance or boycott the meeting unless the invitation to Israel was withdrawn. Caught between the Arabs' refusal to back down and Israel's refusal to withdraw, the secretary general postponed the meeting indefinitely.

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The recent French municipal elections reflected the increased strength of the Communist-Socialist alliance, the vulnerabilities of the ruling center-right parties, and the growing challenge to President Giscard by Gaullist leader Chirac.

France: Elections Show Leftist Gains



Gaullist leader Chirac leaving Paris polling station

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The French municipal elections, which were completed last weekend, reinforced significant trends in the nation's politics.

- The Communist-Socialist alliance increased in strength; nationwide it won 52 percent of the vote, and the center-right coalition won 46 percent.
- President Giscard's political weakness was highlighted, as was that of his centrist and Gaullist allies.
- Gaullist leader Jacques Chirac's challenge to Giscard was heightened by Chirac's success in Paris.
- The governing coalition's losses

nationwide showed that it will be vulnerable in the legislative election next March.

In the run-off elections on March 20, the Communist-Socialist alliance won 28 more cities from the center-right, giving the leftists control of more than 70 percent of the 221 municipalities with populations over 30,000. The governing coalition lost 60 cities that it had controlled.

A majority of the newly elected mayors are Socialists, but Communist mayors will take over at least 20 municipalities, adding to the 50 they already controlled.

In Paris, Gaullist leader Chirac emerged with a solid majority on the city council. Chirac, along with the other newly elected mayors, is to be installed in the mayoral post within two weeks of the March 20 election. President Giscard's hand-picked candidate for mayor of Paris, Michel d'Ornano, failed to win election to the city council, a blow to Giscard's personal prestige.

Left's Successes

The opposition alliance of Communists, Socialists, and left Radicals disagrees on key policy issues but has been able to set aside differences and

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concentrate on gaining the support it needs to win the 1978 legislative election.

The left must win approximately 53 percent of the vote to overcome gerrymandering and gain control of the National Assembly in 1978. The results of the municipal elections, although not directly comparable to balloting for the national legislature, show the left drawing closer to its goal and have given it a strong psychological boost.

Comparative analyses of French economic conditions and voting trends indicate that the left's electoral gains since 1962 have resulted from popular discontent with gaps in a generally prosperous system. Voter concern about high inflation and unemployment appears to strengthen the left's chances for 1978. Rising per capita income is also helping the left by reducing public concern about the possible economic consequences of a leftist victory.

The government's austerity measures—the Barre plan—are designed to limit inflation at the cost of some reduced economic growth, but they may not be enough to preserve the right's hold on the assembly. An extrapolation of economic and voting trends since 1962 indicates the left could win about 54 percent of the first-round vote next March.

Right's Weaknesses

Although opinion polls in France have been pointing for some time to the possibility of a victory for the left in 1978, that prospect has not had the unifying effect on the right that the hope of gaining power has had on the left. The governing majority—Gaullists, Independent Republicans, and centrists—is riven by ideological, strategic, and personal differences, many of which focus on attitudes toward the left. These problems have come to a head in the rivalry between Giscard and Chirac.

Giscard apparently realizes that there is no immediate chance of success for his long-standing hope of forming a coalition government that would include moderate leftists. But he wants the 1978 campaign run on a reform platform—under the leadership of popular, nonpartisan Prime

Minister Barre—that will not foreclose that option. The President reportedly believes he would gain something by working with a leftist government should the Communist-Socialist alliance win next year.

Giscard hopes to blur party lines and significantly weaken the Gaullists. The President's failure to provide effective leadership, his relatively weak political base, his lack of personal popularity, and the conservative image of his Independent Republican Party make it difficult to achieve these goals.

Chirac, on the other hand, wants to preserve and increase Gaullist power—and his own. He believes the government's only hope of success in 1978 rests on a hard-hitting anti-left campaign under his leadership. While Chirac might advocate reforms if he were in power, he clearly believes that Giscard's platform now is only encouraging votes for the left.

These ideological and strategic differences have been compounded by the personal confrontation between the two men, in which each sees the other as responsible for the coalition's problems. The final shape of the city government in Paris will give some early indication of whether the two sides will be able to moderate their hostility; Chirac may prove willing to give the Giscard forces a meaningful role when he allocates municipal responsibilities.

Both Giscard and Chirac probably agree there should not be an early national election. Chirac has let it be known that he will not direct Gaullist deputies to withdraw their support for the President in the assembly over the next year. The Gaullists need time to try to limit their expected losses in 1978. Giscard, for his part, expects that the continued application of the Barre plan will strengthen the chances of his majority and especially those of his supporters.

If Giscard and Chirac cannot control their rivalry, the coalition will face a very difficult time in the legislative election, and the government will be increasingly vulnerable to the left and to the Gaullists.



President Giscard

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The recession in Rhodesia, which is being aggravated by military demands on the economy, is expected to continue.

74-77

Rhodesia: Economic Pressures

one fourth of total government spending.

Foreign exchange allocations for non-military needs—fuel, raw materials, and consumer and capital goods—have been cut sharply to make funds available for arms purchases, and this will have to continue. The government has been forced to raise taxes and freeze government wages to finance military expenditures and hold down budget deficits.

Increased transport costs—up an estimated 50 percent since Mozambique closed its border to Rhodesian rail traffic a year ago—have used up more foreign exchange. The closure forced Rhodesia to reroute its foreign trade over longer routes through South Africa.

Impact on Living Standards

So far, the recession has not seriously disrupted the life style of the 278,000 whites in Rhodesia. Supplies of food, shelter, and medicines have been unaffected. Declines in retail sales of other commodities probably reflect consumer caution more than shortages. Restricted auto travel because of gasoline rationing and guerrilla activity is the main inconvenience.

Most whites remain in Rhodesia because of deep roots in the country and stringent limits on the amount of capital they can take out—reportedly \$1,600 per family plus personal property. Of those who do leave, many are probably Portuguese who fled to Rhodesia in 1975 to escape black takeovers in Angola and Mozambique. A net outflow in 1976, the first in more than a decade, was due as much to a slowdown in immigration as to an increase in departures of Rhodesian citizens.

Most troubling to the whites has been their heavy military obligation. All eligible Rhodesians under 38 years of age must serve a three-month tour of active duty each year. Recent proposals to double the active duty stint and to tighten call-up and deferment procedures brought strong resistance from businessmen and the resignation of the minister of defense. Business not only is losing key employees but also must make up the differences between the low military pay and normal salaries.

The uncertainty of whites over their future in Rhodesia is causing them to postpone investment and spending decisions. Foreign lenders and investors are also wary of committing funds in Rhodesia.

The impact of economic problems on blacks has been mixed. Even in good times, less than 1 million of the country's 2.5 million black workers are able to find work other than subsistence farming. They have borne the brunt of increased unemployment during the recession.

On the positive side, some blacks are being hired to fill vacancies created by white military obligations. Blacks are being trained and employed in office work and in technical trades.

In addition, as a result of the recent repeal of some racial discrimination laws in a move to attract black political support, blacks now are legally able to purchase land formerly reserved for whites. The practical effect of this change is likely to be small, however, because of the limited credit available to blacks for purchasing land.

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Eroding confidence in the political future of Rhodesia on the part of white business interests and growing military drains on the economy probably will result in a third consecutive year with no economic growth. Economic pressures have been an important factor in Prime Minister Smith's attempt to achieve an accommodation with blacks willing to cooperate with his regime.

The Rhodesian economy has been hurt during the past two years by rising defense spending and inflation, high transport costs, white labor shortages, and, until recently, sagging exports. Manufacturing output, which accounts for about 25 percent of gross national product, is at its lowest point in four years.

Construction, both commercial and residential, has dropped off drastically, and there has been only very slight growth in agriculture.

Mining is the only bright spot in the economy this year; production is up one third because of increased prices for mineral exports and the opening of new nickel and gold mines. Repeal of the Byrd Amendment by the US Congress will have little effect on these exports. All of Rhodesia's foreign sales transit South Africa and can be mixed with similar South African products.

Military demands brought on by the growing guerrilla threat have deepened the recession. Budgeted expenditures for the military and police have more than tripled since fiscal year 1973; at \$250 million this year, they now account for

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A campaign for important posts in the country's only political party has taken on a new sense of urgency as the President's health continues to deteriorate.

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Kenya: Succession Politics

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[Redacted]

As President Kenyatta's health continues to decline, maneuvering among those who aspire to succeed him and their supporters is accelerating. At this time, the rival factions still appear inclined to keep their activities within constitutional limits. They are currently focused on elections scheduled for April 3 in the country's only political party, the Kenya Africa National Union.

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[Redacted]

Should Kenyatta die or be medically certified as incapacitated, Vice President Moi would assume the presidency for 90 days under the terms of the constitution. Several months ago, Moi—a member of the small Kalenjin tribal group—beat back a campaign by his opponents to divest him of this constitutional role. His adversaries include members of Kenyatta's inner circle who are determined to maintain the powerful position of their southern branch of the Kikuyu tribe, Kenya's largest, after Kenyatta dies.

In recent months, Moi's opponents have switched their efforts and are now trying to secure a dominant position in the Kenya Africa National Union in an effort to prevent Moi, should he become interim president, from gaining control of the party structure.



Vice President Moi



Finance Minister Kibaki

Under the constitution, an election must be held during the 90-day period after a vice president succeeds, provided at least two presidential candidates are nominated by different political parties. In the absence of another party, the candidate from the National Union would be declared the elected president.

In a further effort to undercut Moi, his rivals last year prevailed on Kenyatta to revitalize the moribund party by holding elections. They were held at the local level late last year, and Moi and his supporters held their own in that balloting. Senior

party officials are to be selected on April 3.

The southern Kikuyu clique is handicapped in this election by its lack of many popular leaders other than Kenyatta. The situation is further complicated by a long-standing split between the southern and northern branches of the tribe.

At present, the southern Kikuyu appear willing to concede the party vice presidency to Moi, and are concentrating on trying to put Kikuyu tribal members or their allies into other top party jobs. So far, those few candidates challenging Moi for

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re-election to the vice presidency are non-Kikuyu and have little chance of success.

The Kikuyu insiders are focusing particularly on electing one of their own to the national chairmanship, the third-ranking party job. The post is new and its duties are vague. An aggressive chairman, or one with aggressive backers, could become de facto party head, especially if Kenyatta and Moi continue to be preoccupied with national affairs.

Defense Minister Gichuru, a relatively popular southern Kikuyu, and Finance

Minister Kibaki, a northerner, are running for the new post. It is unclear which candidate will eventually receive full Kikuyu backing, although it appears that Kibaki has been given at least a preliminary nod, while Gichuru's candidacy was self-initiated.

Kibaki is considered to be one of the outstanding members of the cabinet. Although he has reportedly been linked to Moi, he generally has avoided politics. As a result, he probably is one of the few Kikuyus who could generate support among both branches of the group. The

Kikuyu establishment also probably realizes Kibaki's ascendancy could ensure the tribe's continued hegemony and help to stabilize the political scene.

More developments are in store before the election. Leaders of other important tribes such as the Luo and the Kamba have not made their intentions clear. Moreover, unexpected candidacies and withdrawals have been a feature of the campaign, reflecting personal ambitions and the ephemeral nature of Kenyan political loyalties.

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One of the most contentious issues in the Law of the Sea negotiations has been that of deep seabed mining. The progress made toward a resolution of the issue may have broader implications for the question of North-South relationships.

Law of the Sea: Seabed Mining Issues

Recent informal discussions in Geneva among participants in the UN Law of the Sea Conference indicate that the developed and the developing countries remain sharply divided on the issue of deep seabed mining.

The seabed mining issue has been one of the most contentious in the negotiations that began in 1973 for a new Law of the Sea treaty. The impasse on the subject is now effectively stalling the conclusion of a treaty, which the conference participants agreed at the outset would be a package arrangement. Progress has been achieved on most other conference topics, including the territorial sea, the economic zone concept, and passage through straits.

The Geneva meeting was called to seek compromises on such questions as access to the seabed, financing of the proposed

international machinery for seabed exploitation, and controls on production of seabed minerals before the next formal session of the full Law of the Sea conference in May.

The developing countries argue that the seabed and its mineral nodules are the "common heritage of mankind" and that any financial benefits from their mining should belong to all people, primarily the needier nations. The developing countries have argued that an international authority with broad and discretionary powers should be set up to supervise seabed development and eventually to exploit the seabed exclusively through its own mining entity.

The demand for exclusive seabed exploitation by the proposed international body is at the center of the dispute. The major industrialized states, which alone possess the technology to mine seabed

nodules, insist that any treaty contain explicit assurances that both states and their nationals and corporations—public and private—will have equal opportunities to exploit the seabed's resources.

The developed states argue that they have already granted a major concession to developing-country demands by proposing a "banking system." Under this proposal, a mining entity would apply to the international authority for the right to mine two tracts; the authority would decide which one of the two the mining entity could exploit and reserve the second tract for its own mining activities.

The developing countries do not accept the banking system as a sufficient compromise. Most developing countries recognize that, at least for the short term, the financial and technological resources of the developed states are indispensable to seabed mining. The developing states

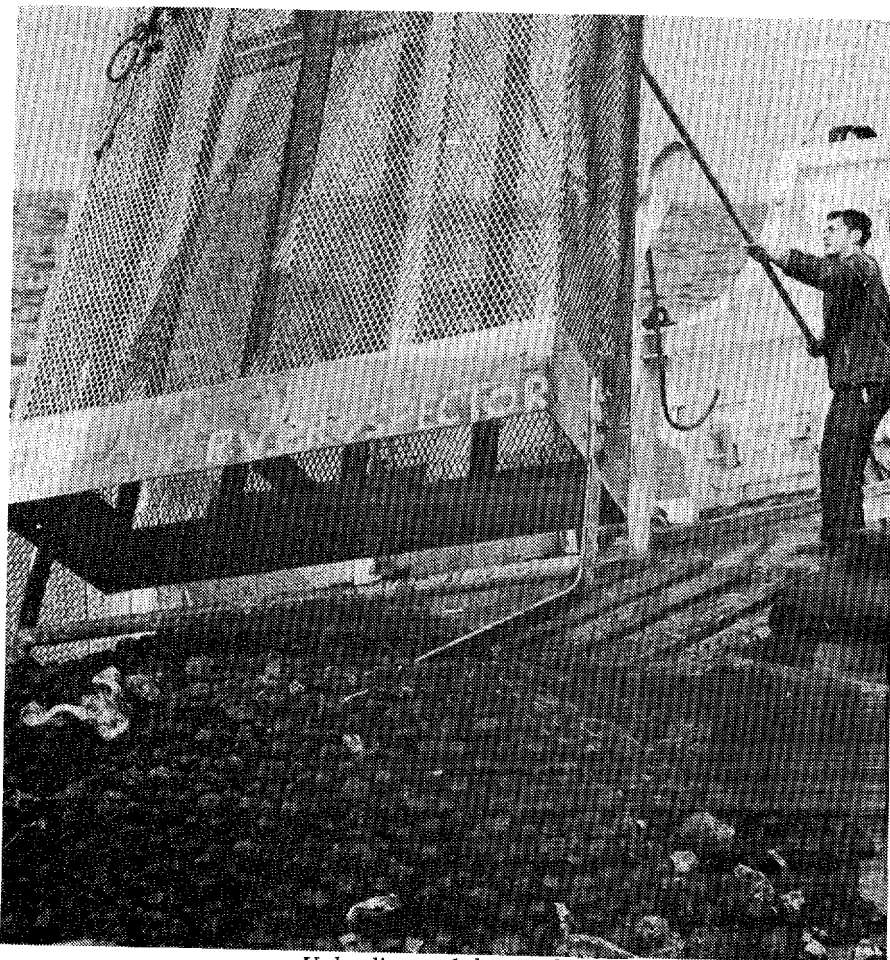
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continue to insist, however, that there can be no automatic guarantee of access for private entities and that any parallel access—if some form is eventually worked out—would only be on an interim basis, probably from 20 to 25 years.

Developing-country demands are accelerating on other aspects of the seabed mining issue as well. Most conference participants have informally accepted the principle of limiting seabed production of nickel to a portion of the growth in world demand for the mineral.

At the Geneva meeting, however, some leading developing states wanted to impose explicit production limits for all nodule minerals—copper, cobalt, manganese, and nickel. These production limits, moreover, would remain in effect until comprehensive commodity agreements on all these minerals are worked out internationally.

The recent Geneva meetings reflected the willingness of the participants to work toward some resolution, even if positions remain far apart. The meetings also indicate, however, that the longer the seabed mining issues remain unsettled, the stronger the motivation will become for the developing states to link limited objectives in the Law of the Sea negotiations to the broader question of a readjusted North-South relationship.



Unloading nodule samples

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Countries in Western Europe with large civil aircraft industries are striving to be in a position to obtain a larger share of the expanded market expected in the early 1980s for short- and medium-range aircraft.

71-73 Western Europe: Civil Aircraft Programs

West European countries with large civil aircraft industries—the UK, France, West Germany, and the Netherlands—are searching for programs that will

provide new employment opportunities and earn them a substantial share in the lucrative market for short- to medium-range aircraft that is likely in the early 1980s.

By then the aging Caravelles, Tridents,

BAC-111s, and Boeing 727s that now fly the world airways will have to be replaced. About 2,300 new aircraft will be needed during the 1980s—about half in the US where domestic manufacturers have traditionally controlled the market, and

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most of the remainder in Europe where US manufacturers have had a four-to-one advantage in aircraft sales.

By pushing for participation in the short- to medium-range aircraft market, the West European countries hope to reverse the decade-long decline in their share of Western civil aircraft sales.

The major uncertainty is when this market will blossom. At first, it was expected by 1978 or 1979. Current estimates—which cite the slowdown in passenger traffic growth in recent years and the poor debt-to-equity ratios of many airlines—indicate that the market demand will increase in the early 1980s.

For most of the past two years, the West Europeans have held regional negotiations on potential aircraft to serve this prospective market. In the past six months, however, European manufacturers have turned more to negotiations with US companies for joint ventures.

Many of the recent design proposals have been developed jointly by one or more European manufacturers and a US manufacturer. Aircraft designs now under consideration that involve or could involve some European participation include:

- **Mercure 200.** A program that may include the French firms Aerospatiale and Dassault, and the US McDonnell Douglas Corporation; it could be a first in transatlantic cooperation in civil aircraft production. The plane would have a 160-passenger capacity and a range of 1,700 nautical miles.

- **Boeing 7N7.** This "family" of proposed aircraft includes a 160-passenger version with an improved wing design and either CFM-56 or JT10D engines. It would have a range of 1,800 nautical miles. This design, if built, would probably involve a program of international cooperation.

- **A300 B10.** Still in an evolutionary design stage, this plane, which would be built by a European consortium, would probably have a range of 2,200 nautical miles and a capacity for 200

passengers—well above the projected range and capacity of the proposed Mercure 200.

- **DC-X-200.** This US design is unlikely to be produced if the proposed Mercure soon becomes a reality. Tentative specifications call for a plane with a capacity for 200 passengers and a range of 2,500 nautical miles.

- **Boeing 7X7.** This is a tentative US program with Italian and Japanese participation. The short-range version of this aircraft (2,700 nautical miles) could garner part of the short- to medium-range market.

The French Contribution

Pressured in part by layoffs caused by the near completion of the current Concorde production run, the French government recently announced the program linking the US McDonnell Douglas Corporation with France's aircraft industry in development of the Mercure 200. Participation by the American company is dependent on a final assessment of the potential demand for the proposed aircraft. The result of the market survey is scheduled for release in the spring but could be delayed until the fall.

The tentative accord calls for the French government-owned Aerospatiale to perform 40 percent of the work, Dassault-Breguet—a private French firm—to handle 5 percent, and McDonnell Douglas to handle 15 percent. The remaining 40 percent would be allocated among other West European manufacturers.

Early indications are that the Mercure 200, now also known as the advanced short- to medium-range commercial transport, is not being as favorably received as its backers had hoped. Some airline executives are concerned that the aircraft is too small for the projected market, while others favor a tri-jet over the twin-engine design.

Despite questions of salability, the French might decide to go forward with the Mercure 200 even without McDonnell Douglas for two reasons: they need a program to increase employment in the

aerospace industry, and they need a vehicle for the CFM-56 engine, a joint development of a French firm and General Electric.

Six CFM-56 engines are now in testing programs in the US and France, and certification requirements will probably be completed in 1979. The French consider the CFM-56 program a major step toward international aviation cooperation.

The British Role

The British aircraft industry, which employs more than 200,000 workers, has suffered layoffs resulting from the phasing out of the Concorde program and indecision over nationalization. Civil aviation officials are attempting to ensure that the industry will participate in the future market for short- to medium-range aircraft.

British aviation officials have been holding preliminary discussions with US companies such as Boeing and McDonnell Douglas. Talks thus far have focused on participation in McDonnell Douglas' DC-X-200 and Boeing's 7N7 programs.

West Germany and the Netherlands, with 50,000 people in their aerospace industries, also have hopes of participating in the short- to medium-range aircraft market. They are pressing their European partners to move forward with the A300 B10 program, even as they hold talks with Boeing over participation in the 7N7 and 7X7 programs. Both countries remain cautious in their commitments.

Given escalating costs and the need for aircraft with improved operating economy and quieter, cleaner burning engines, the major West European manufacturers will attach increasing importance to their negotiations with US companies over the next year or two.

They will nevertheless retain the option of developing regionally produced aircraft. Because of the costly research and development involved and the difficulty in timing the market, such an effort would probably involve only consortium programs rather than aircraft produced solely by one country.

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